

ALLIANCE FINANCIAL GROUP RECORDS RM132.5 MILLION NET PROFIT IN 1QFY2017

Kuala Lumpur, 22 August 2016 – The Alliance Financial Group Berhad (“AFG” or “the Group”), comprising Alliance Bank Malaysia Berhad (“the Bank”) and its subsidiaries, today announced its first quarter results for the financial period ended 30 June 2016 (“1QFY2017”).

- *Net profit after tax for the quarter grew 2.0% quarter-on-quarter (“QOQ”) to RM132.5 million.*
- *Pre-provision operating profit improved by 13.2% QOQ to RM194.7 million.*
- *Better risk adjusted return loans (“RAR”) grew at the rate of 5.6%, as compared to lower risk adjusted return loans of -3.6%.*
- *Net Interest Margin improved 10 bps QOQ to 2.22%.*
- *Loans growth in the SME sector remained strong at 16.1% year-on-year (“YOY”), with an excellent gross impaired loans ratio at 0.8%.*
- *Overall Gross impaired loans ratio at 1.2%, better than industry average of 1.7%. Loan loss coverage ratio was 119.2%.*
- *Strong loan to deposit ratio and CASA ratios at 85.7% and 32.9% respectively.*
- *Healthy capital position with Total Capital Ratio of the Group stabilised at 16.3%, near the top of the industry.*

When commenting on the Group’s results, Chief Executive Officer of the Group, Mr. Joel Kornreich said, “The positive financial results stem from growing our best performing segments and optimising our deposit mix.”

“During this time, SME loans grew 16% and net interest margins improved to 2.22%. Because of our loans growth strategy, we were also able to maintain healthy liquidity. Today, our loan to deposit ratio is 85.7%, loan to fund ratio is at 82.5% and CASA ratio is at 32.9%”.

Meanwhile, the Group's total capital ratio remains near the top of the industry at 16.3% vs. 13% a year ago.

"We continue with our efforts to enhance shareholders' value. The Group's return on equity for the first quarter of financial year 2017 was 11.0%, while net assets per share improved to RM3.16, from RM2.92 a year ago," said Mr. Kornreich.

Net profit after tax for the quarter grew 2.0% QOQ and 8.6% YOY to RM132.5 million, mainly driven by client-based fee income and Islamic banking income. Pre-provision operating profit improved by 13.2% QOQ and 10.0% YOY to RM194.7 million.

Delivering Sustainable Profitability

- **Revenue Growth:** Net overall income improved 3.1% QOQ and 5.7% YOY. Higher net interest income growth of 0.5% QOQ and 2.1% YOY was driven by higher risk adjusted return ("RAR") loans and better pricing discipline.
- **Net interest margin ("NIM"):** NIM improved 10 bps QOQ to 2.22% as cost of funds reduced 8 bps due to the recent redemption of Tier-2 Subordinated Notes and a more efficient funding mix, with gross interest margin maintained despite our base rate reduction due to the statutory reserve rate revision.

NIM grew by 6 bps YOY, driven by higher RAR loans and better pricing discipline, despite the rising cost of funds.

- **Non-interest income ("NII"):** Non-interest income improved by 5.1% QOQ and 8.1% YOY. This was contributed by improvement in client-based fee income by 9.7% QOQ and 16.0% YOY, mainly due to higher wealth management fees, FX sales, trade fees and banking services fees.
- **Operating Expenses:** Operating expenses reduced 6.4% QOQ, mainly due better expense management resulting in lower personnel cost, administration and regulatory cost, and marketing expenses.

The cost-to-income ratio for the quarter improved to 46.5% which is below industry average.

- **Impairment Provisions:** Credit cost for the quarter was RM19.3 million, an annualized 18.8bps which is well within the guidance.
- **Return on Equity ("ROE"):** ROE for the quarter was at 11.0%.

Healthy Loans Growth Supported By Strong Funding Position

- **Loans Growth:** The Group's loan origination efforts were focused on the better RAR loans within the SME, commercial, and consumer lending segments, which grew at the annualized rate of 5.6% for the quarter, faster than other segments.
- **Stable Asset Quality:** The gross impaired loans ratio at 1.2% was better than industry average of 1.7%. Loan loss coverage improved to 119.2% from 105.4% a year ago, reflecting a healthy position.
- **Healthy Funding and Deposit Growth:** Customer deposits registered a YOY growth of 2.3% to RM44.9 billion despite an industry-wide contraction of -0.8%. The Group continued to optimise the funding mix in order to minimize cost of funds.
- **The funding position remains stable** and supportive of business growth. The Group's CASA ratio at 32.9% remains among the highest in the industry. Furthermore, the loan to deposit ratio and loan to fund ratio remain healthy at 85.7% and 82.5% respectively.

Capital Levels Remain Strong

- **Strong Capital Ratios:** The Group's capital position is strong with Common Equity Tier 1 ("CET 1") ratio at 11.7%. After the redemption of RM600 million Tier-2 Subordinated Notes, Total Capital Ratio of the Group stabilised at 16.3%, as compared to 13.0% a year ago. This is among the strongest in the industry.

Enhancing Shareholder Value

- **Net Assets per Share:** With Group's shareholders' equity of RM4,893 million as at 30 June 2016, the net assets per share improved to RM3.16, from RM2.92 a year ago.

Looking Forward

The Malaysian economy registered a gross domestic product ("GDP") growth of 4.2% in 1Q and is expected to grow at a moderate pace of 4% and 4.5% in 2016. In view of the economic outlook, the Group will continue to apply its franchise strength to meet the needs of its customers and help them be successful. "This, in turn, will help them create value for their other stakeholders," explained Mr. Kornreich.

The Group will also continue to improve its balance sheet efficiency and Risk Adjusted Return (RAR), and focus on loan origination efforts in SME, commercial and consumer unsecured loans, as well as optimise funding cost and mix.

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About Alliance Financial Group

The Alliance Financial Group, comprising Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad, and Alliance Islamic Bank Berhad, is a dynamic, integrated financial services group offering banking and financial services through its consumer banking, SME banking, corporate and commercial banking, Islamic banking, investment banking and stockbroking.

It provides easy access to its broad base of customers throughout the country via multi-delivery channels which include retail branches, Privilege Banking Centres, Islamic Banking Centres, Business Centres, Investment Bank branches and direct marketing offices located nationwide, as well as mobile and Internet banking.

With over five decades of proud history in contributing to the financial community in Malaysia, with its innovative and entrepreneurial business spirit through its principal subsidiaries, the Group is committed to delivering the best customer experience and creating long-term shareholder value.

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